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AID TO DEVELOPING COUNTRIES

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AID TO DEVELOPING COUNTRIES

ISSUE DEFINITION

During the 1991-92 fiscal year, Canada will commit over $3 billion (on a net appropriations basis - see explanation, p. 3) for expertise, supplies and financing to help developing countries. This is net Official Development Assistance (ODA) allocated by government and reported to the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). In addition to direct bilateral and multilateral assistance to other governments, it includes several hundred million dollars to support work on many small projects carried out by Canadian and international non-governmental organizations (NGOs) and by private sector partners in more than 100 countries. ODA consists of either grants or loans on highly concessional terms. The Canadian International Development Agency (CIDA) is responsible for about three-quarters of ODA. Other Crown agencies, federal departments (chiefly Finance and External Affairs) and some provincial governments account for the rest. CIDA's projected expenditures will be $2.34 billion in 1991-92. Total ODA reached the government's target of 0.5% of GNP in 1986-87 when it was slightly more than 2% of federal government expenditure. However, after growing at an annual average rate of 7.4% from 1985-89, the aid program absorbed a cut of $360 million in planned cash outlays in 1989-90 (as part of a $1.787 billion reduction over five years), with the ODA/GNP ratio dropping to 0.43%. The February 1990 Budget put a 5% cap on annual ODA growth, which reduced planned spending by $116 million in 1990-91. The February 1991 Budget lowered this ceiling to 3% for 1992-93 and subsequent years, resulting in a further saving of $1.6 billion over five years.

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However, the aid budget is still growing. In terms of percentage of GNP, Canada ranks second among G-7 countries and eighth among OECD countries. During 1985-87, the ODA program was the object of a searching examination by Parliament, leading to substantial policy changes in such controversial areas as linking aid to human rights, rules tying aid to purchases in Canada, and the decentralization of CIDA decision-making to the field. In March 1988, the government released a comprehensive new strategy for Canadian international development assistance entitled *Sharing Our Future*.

BACKGROUND AND ANALYSIS

A. Growth in the Aid Program

CIDA succeeded the External Aid Office in 1968 as the agency through which Canada directs official aid to poorer countries. The aid budget had grown rapidly from $11 million in 1950 and $82 million in 1960 to $279 million by 1967. CIDA, however, was created without legislation and continues to operate under other statutory and spending authority. The scope of CIDA's mandate has never been clear. In theory, CIDA should advise government on all matters affecting international development cooperation. In practice, the perception has grown that CIDA is more influenced by the bureaucratic environment in which it must operate than it is influential in the policy process.

In terms of volume, aid as a percentage of GNP peaked at 0.54% in 1975, then fell to 0.40% in 1980 before beginning a gradual recovery to reach 0.5% in 1986-87. Also, in February 1986, External Affairs Minister Joe Clark announced a move to 100% concessionality for the aid program - i.e., all new disbursements would be on a grant basis, and over $200 million in existing low-interest loans were so converted. At the same time, the February 1986 Budget, although it exempted foreign aid and defence from a freeze on non-statutory spending, contained a reduction of $1.5 billion over five years in projected ODA spending. That Budget pushed back the target dates for increasing the ODA/GNP ratio to the internationally-recognized level of 0.7%. In the February 1987 Budget several

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minor changes were introduced in ODA reporting and cash management practices that were expected to net about $160 million of savings in actual spending. Nonetheless, the aid budget continued to grow in real terms.

The April 1989 Budget reversed this pattern, despite the following commitment in CIDA's 1988 Strategy with respect to aid levels and targets:

> Canada's official development assistance has reached .5% of GNP and will be maintained at that level until 1990-91. Then, it is the government's objective to raise the ODA/GNP ratio by gradual increments, beginning in 1991-92, to .6% by 1995 and to .7% by 2000.

The 1989 Budget set the ODA ratio at only 0.43% of GNP, down from 0.48% in 1987-88. Then, according to the *Budget Papers:* "In 1990-91, growth in the ODA/GNP ratio will resume, with the ratio increasing to 0.45%. Thereafter ODA commitment levels would grow by 0.005 percentage points annually as a proportion of GNP." At this rate, the 0.5% base would not be restored before the year 2000. The 5% annual cap on expenditures in the February 1990 Budget pushed back that recovery. Spending estimates were at least $116 million short of the 0.45% commitment level, although Budget documents still projected a rise to 0.47% of GNP by 1994-95. As noted, the February 1991 Budget will further restrict annual ODA growth to 3%. It also created a new expanded International Assistance Envelope which includes non-ODA aid. For example, it provided for $7 million in economic aid to Poland and Hungary, as well as $75 million in loans and grants to Jordan, Israel and various organizations, including the Red Cross working in the Persian Gulf. This larger aggregate may be used by government in calculating whether it is meeting its international aid targets. Problems have already arisen since the Main Estimates for 1991-92 incorrectly included a "program reserve" of $57 million intended for partial funding of projects in Eastern Europe within traditional ODA totals.

In interpreting proposed ODA expenditures, the effect of different reporting methods and recent administrative and organizational changes must be taken into account, especially for year-over-year comparisons. At the aggregate level, the most important distinction is between spending commitments (appropriations basis) and financial

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requirements (cash basis) in a given fiscal year. Not everything counted as ODA is a budgetary expense. The main reason spending commitments differ from actual cash outlays is that the former include promissory notes to international financial institutions which only represent a cash drain when they are encashed by the institutions holding them. But there has also been a substantial growth in several other non-cash components of ODA, in particular in the imputed value of foreign student support, which rose from $64 million in 1990-91 to $88 million in 1991-92, an increase of 37.5%. In 1990-91, ODA commitments rose by $189 million to $2.909 billion, but cash outlays rose by a lesser amount to less than $2.6 billion. In 1991-92, net commitments will reach about $3.1 billion, but the budgetary estimates for ODA are just under $2.7 billion, a $128 million increase from 1990-91. A complete expenditure breakdown and comparison is presented in Table 1 on page 5.

While ODA spending has been cut back, administration costs rose to over 8% of the total ODA budget in 1989-90, mostly due to the decentralization moves within CIDA. These costs have been under review. Expenditure on administration is projected to fall to 6.2% of ODA in 1991-92. On an appropriations basis, CIDA will commit $2.34 billion in funds in 1991-92, and on a cash basis it will spend $2.22 billion. CIDA will again lose person-years so that it will have fewer in 1991-92 than at any time since 1983-84 (see Figure 2 on page 7).

After posting some years of strong if rather uneven overall growth, the ODA program now faces a more uncertain future. (Figure 3 on page 8 shows the changes in ODA/GNP percentage during the 1980s.) Concern about the size of the federal deficit, and perhaps fatigue with the prolonged debt and development crises of the 1980s, appear to have weakened public support for foreign aid. The huge costs associated with the events which have led to war in the Middle East may also have an unfortunate effect. As yet, the aid budget has continued to increase, at least in nominal terms, and the principle of formula funding has so far been preserved over the longer term.

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Table 1: Official Development Assistance, 1990-92

($ millions)	1990-91 Main Estimates	1991-92 Main Estimates	Change
Partnership Program:			
International Financial Institutions:			
CIDA	250	247	-3
Department of Finance	299	359	60
Voluntary Sector Support (CIDA)	258	277	19
International Non-Governmental Organizations (CIDA)	22	23	1
International Development Research Centre	114	123	9
International Centre for Ocean Development	12	13	1
International Centre for Human Rights and Democratic Development (CIDA)	3	4	1
Industrial Cooperation (CIDA)	67	75	8
Multilateral Technical Cooperation (CIDA)	161	164	3
Multilateral Food Aid (CIDA)	155	158	3
Grants and Contributions (External Affairs)	46	47	1
Imputed Interest Costs	-	5	5
Sub-total: Partnership Program	1,387	1,495	108
National Initiatives:			
Bilateral Food Aid (CIDA)	209	213	4
Scholarships:			
CIDA	11	12	1
External Affairs	11	9	-2
Foreign Student Support	64	88	24
Petro-Canada International Assistance Corporation	53	51	-2
International Humanitarian Assistance (CIDA)	59	67	8
Development Information (CIDA)	7	10	3
Geographic Programs (CIDA)	953	977	24
Sub-total: National Initiatives	1,367	1,427	60
Administrative:			
CIDA	103	114	11
External Affairs	90	76	-14
Other Government Departments	13	8	-5
Sub-total: Administrative	206	198	-8
Program Reserve	1	57	56
Gross Official Development Assistance	2,961	3,177	216
Less: Repayment of Previous Year's Loans	52	57	5
Net Official Development Assistance	2,909	3,120	211

* Note: The amount of $57 million in the program reserve is in the International Assistance Envelope but should not be counted as ODA.

Source: *1991-92 Main Estimates, Part I: The Government Expenditure Plan*, Ottawa, Minister of Supply and Services, 1991, p. 21, Table 3.4.

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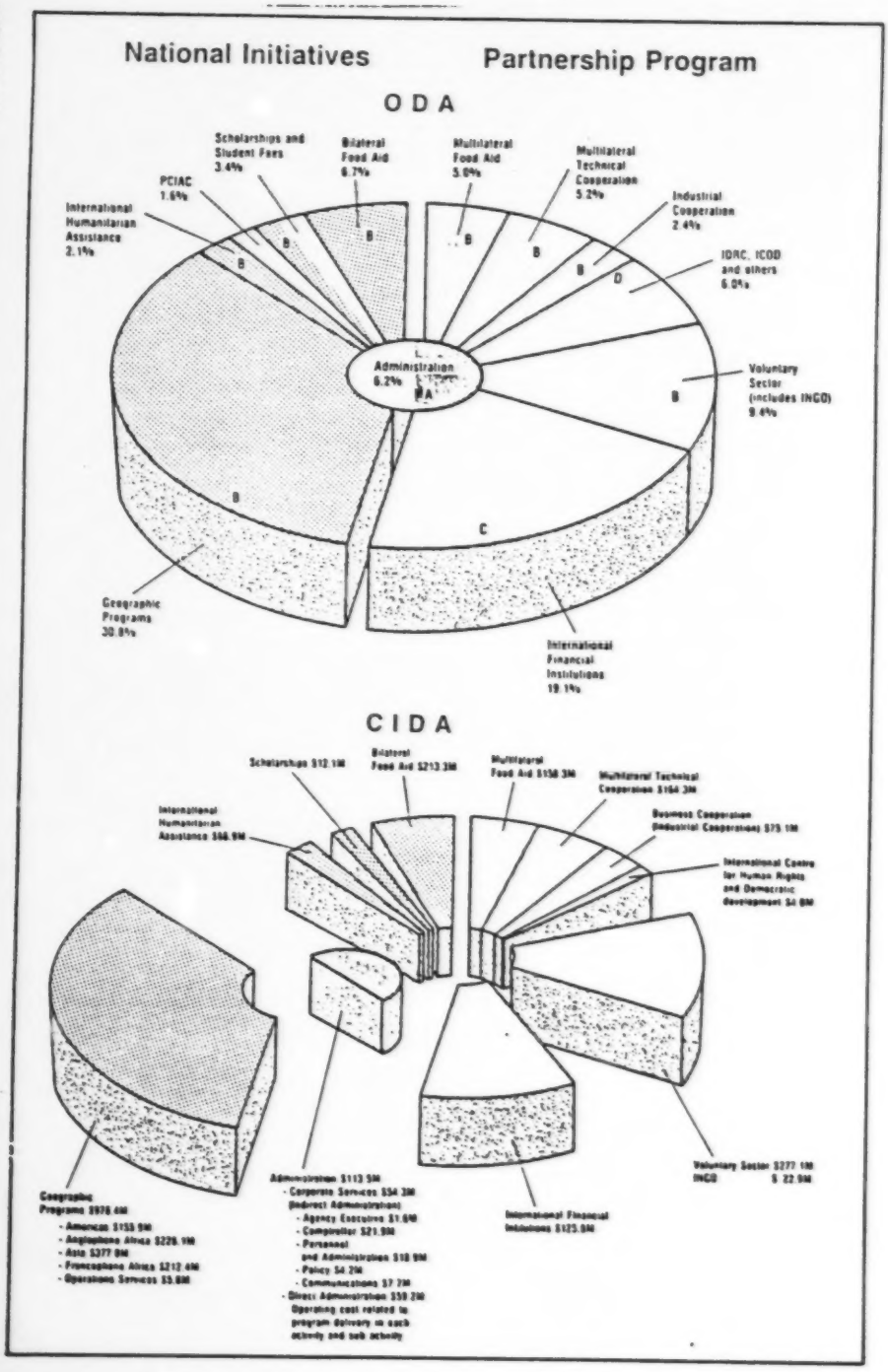
Figure 1: ODA Percentage Allocation and CIDA Resource Allocation by Channels of Delivery, 1991-92



* Note: Does not include amounts for the Development Information Program (0.3% of ODA) or for the International Assistance Envelope Program Reserve (1.8% of ODA).

Source: *1991-92 Estimates, Part III*, Canadian International Development Agency, Ottawa, Minister of Supply and Services, 1991, p. 21, Figure 5.

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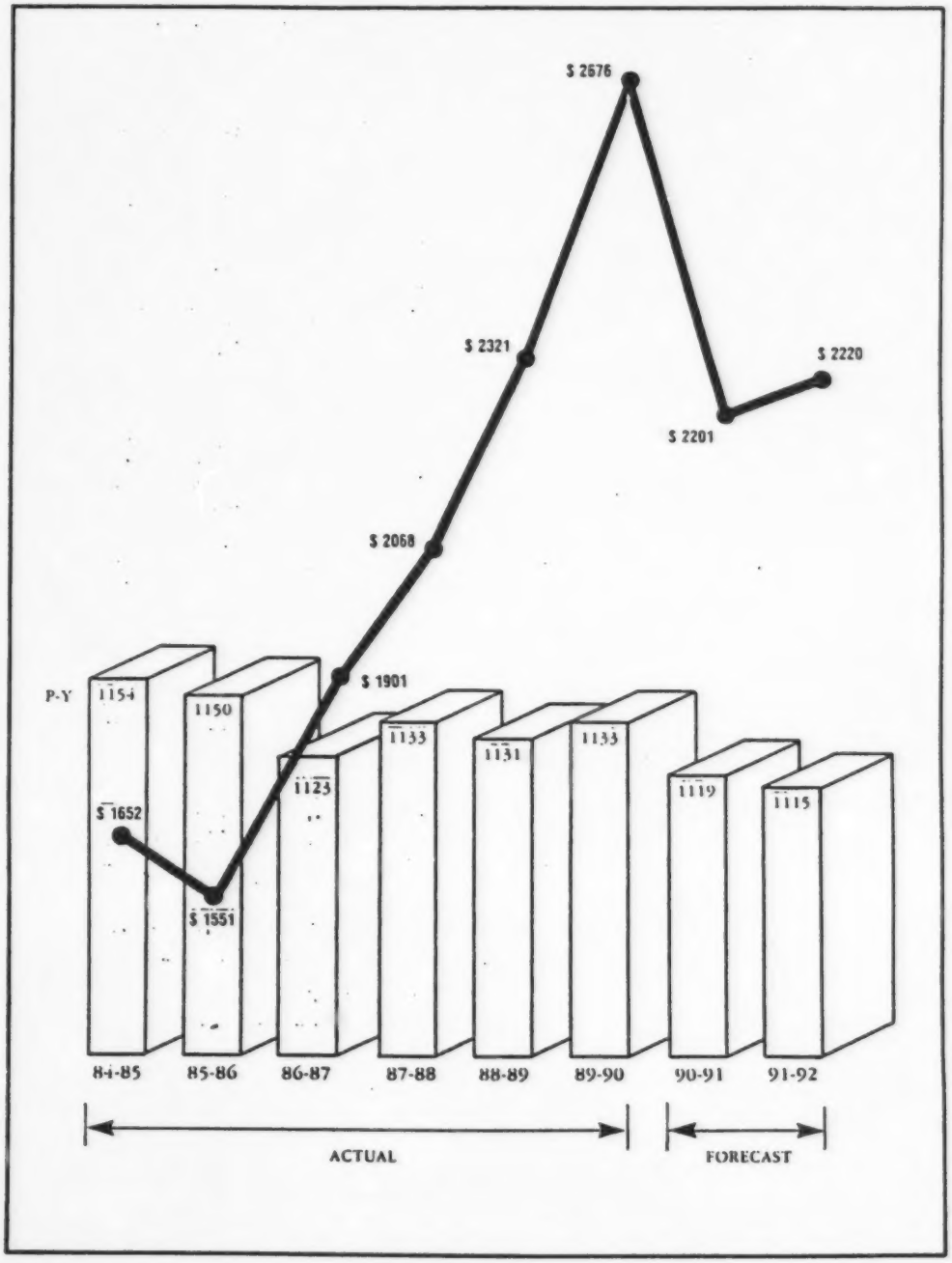
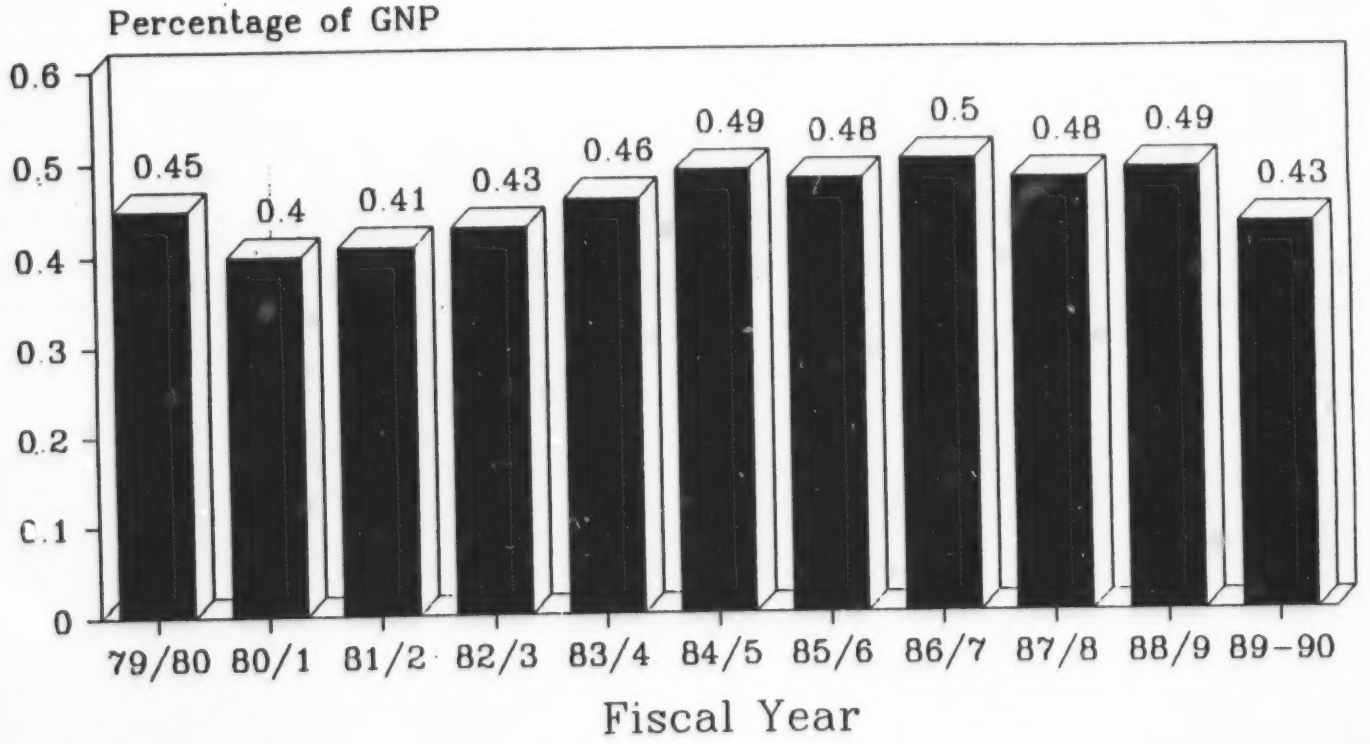
Figure 2: Person-Years vs. CIDA Expenditures ($ millions)



Source: *1991-92 Estimates, Part III*, Canadian International Development Agency, p. 66, Figure 17.

Official Development Assistance
(% of GNP per Fiscal Year)



Actual Appropriation Basis

Source: Canadian International Development Agency, 1990.

Figure 3

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B. Renewed Directions for Aid

Canadian aid philosophy has been slowly evolving away from its traditional emphasis on large capital and commodity transfers. In the Agency's *1980-81 Report*, then CIDA President Marcel Massé stated:

> CIDA is now investing more heavily in human capital, shifting the focus from projects that build economic infrastructure to those that build education, health, and people-to-people relationships. A key part of what we have learned is that we must respect the right of others to choose their own path.

The purposes of ODA were also described in the *Estimates* as follows:

> To support the efforts of developing countries in fostering their economic growth and the evolution of their social systems in a way that will produce a wide distribution of the benefits of development among the populations of these countries, enhance the quality of life and improve the capacity of all sectors of their population to participate in national development efforts.

In the 1970s the government had produced a comprehensive but rather ineffectual *Strategy for International Development Cooperation 1975-1980*, which emphasized social justice, participation, and "basic needs." A review of established aid policy was published in 1984, but it was not until 1988 that a new strategy was adopted in the wake of a government Green Paper and three parliamentary committee reports.

The new strategy, *Sharing Our Future*, effects a major policy renewal and operational reorganization of ODA, based largely on recommendations in *For Whose Benefit?*, the milestone report of the Commons external affairs committee tabled in May 1987. The program is now divided into two parts, of equal weight and funding: a Partnership Program to support activities by Canadian and international partner agencies (NGOs, development banks, etc.), and a National Initiatives Program for bilateral assistance on a mainly government-to-government basis (see figure 1 on page 6). Overall coherence is provided by an ODA Charter containing the following "principles and priorities" as summarized by Minister Monique Landry:

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1. The primary purpose of our development effort is to help the world's poorest countries and people.

2. Canada's aid policies must strengthen the human and institutional capacity of developing countries to solve their own problems in harmony with their natural environment.

3. In setting objectives for development assistance, development priorities must prevail.

4. We must strengthen the links between Canadian citizens and institutions, and those in the Third World -- in short, partnership.

With these principles as the foundation of our policy, our priorities to help focus our projects and programs are to:

- alleviate poverty;
- design structural adjustment policies that take into account their human impact on the people they are designed to assist;
- strengthen our emphasis on the role of women in development;
- foster environmentally sound and ecologically sustainable programming;
- strive for food security; and
- emphasize energy availability.

Several developments since then could have a critical bearing on the evolution of Canadian ODA strategy. Marcel Massé returned to the CIDA presidency after several years as Canada's executive director at the IMF. Against the background of the chronic Third World debt burden, he argues the need for stronger links between aid and the market-oriented adjustment programs demanded by official lenders and creditors. It was revealed in May 1991 that Canada would continue to focus its foreign aid policy on long-term structural adjustment programs into the 1990s, despite the protests of many experts who believe that Canada is not contributing enough in the areas of primary health care and education, family planning and rural water supply in developing countries. The 1991 United Nations

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Development Report ranked Canada 10th among donors on the quality of its aid, and the Director of the report, Mahbub ul Haq, was openly critical of Canada's alleged lack of concern for "human priorities" in the Third World.

Western governments are also facing new demands for large-scale assistance to support the revolutionary changes sweeping Eastern Europe. Fears that these demands might diminish the amount of aid currently available to developing countries were confirmed by Mr. Massé in June 1991. He admitted that Canadian economic assistance to the Soviet Union and Eastern Europe would likely come at the expense of the Third World.

The following pages briefly outline the major bilateral, multilateral, and non-governmental channels of CIDA's program funding, as well as those components of the ODA program not administered by CIDA.

C. Bilateral Aid

Bilateral ODA goes directly to pay for projects (more than 1,300 in over 110 countries) agreed to by Canada and the recipient government. CIDA previously had a rule that 80% of procurement for such bilateral government-to-government aid must be sourced in Canada. This 80% figure included offshore shipping costs. The Canadian content of the goods and services purchased had to be at least 66 2/3%. Critics of the aid program have argued strongly that the effect of this "tying" is to reduce significantly (on average by about 20%) the value of such assistance to the recipient. A related concern is that tied aid, by acting as a hidden subsidy to domestic exporters, distorts the priorities of the aid program by giving too much weight in the selection process to commercial interests in the donor country.

Domestic factors and Canadian interests, whether developmental, political or commercial, will continue to play a large role in the determination of country eligibility criteria for bilateral aid. But under the new strategy, the government moved to make the development interest primary. The old category system for countries was abolished so that all independent developing countries, except for a small excluded

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list, can be eligible for all forms of assistance. Bilaterial aid was to be more concentrated, however, with 75% of it going to 30 countries or regional groupings. As of 1987, 65% of ODA was to go to Commonwealth and Francophone countries. On a regional basis, the planned distribution was set at 45% to Africa; 39% to Asia; and 16% to the Americas. The regional distribution of CIDA's bilateral aid in 1991-92 will be: Anglophone Africa, 23.2%; Francophone Africa 21.8%; Asia 38.6%; Americas 16.0%.

In the wake of Canadians' generous response to the famine crises in Africa, the pressing needs of that continent have received priority attention. Cumulative disbursements under the "Africa 2000" program reached $93.8 million in 1990-91, with a further $34.4 million allocated for 1991-92. As well, in southern Africa, aid to the "front-line states" through the Southern African Development Coordination Conference (SADCC) was to increase from $30 million to $40 million annually to help these countries reduce their dependence on South Africa. The government also reaffirmed its commitment to the target of 0.15% of GNP to the least developed countries (LLDCs), many of which are in sub-Saharan Africa.

For eligible countries, Cabinet annually establishes confidential five-year bilateral planning figures taking into account the following criteria:

- the country's needs;
- the country's commitment and capacity to manage aid effectively;
- the quality of the country's economic and social policies, or its commitment to improve its policies;
- Canada's political and economic relations with the country;
- the country's human rights record;
- the country's commitment to involving its population in development.

Tying rules have been significantly liberalized, except for food aid. The general bilateral requirement was reduced from 80% to

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66 2/3%, and to 50% in the case of sub-Saharan Africa and LLDCs in other regions.

Bilateral aid for 1991-92 will amount to $1,189.7 million, 37.5% of the total ODA program. Spending on geographic programs is projected at $976.4 millions. This compares to the 1990-91 appropriation of $953 million. Bilateral food aid is forecast at $213.3 million in 1991-92 compared to $209 million the previous year. Total spending by the government on national initiatives - which also includes amounts for international humanitarian assistance, development information, scholarships and foreign student support, and for Petro-Canada's aid subsidiary - is projected at $1.427 billion in 1991-92, compared to $1.367 billion in 1990-91.

D. Multilateral Aid

This is help that Canada gives to other countries through contributions to some 85 international agencies (chiefly United Nations) and financial bodies. In 1991-92, it will account for $928 million - about 30% of the ODA budget (down from a peak of 45% in 1979) and 25% of CIDA's budget. This compares with the 1990-91 estimates of $865 million for multilateral programs. Multilateral aid is not "tied," except for multilateral food aid, which is forecast at $158.3 million in 1991-92, up slightly from the 1990-91 estimates. (Combined multilateral and bilateral food aid amounts to $371.6 millions - 11.7% of the total ODA program). These types of multilateral assistance, along with grants to international NGOs and through the Department of External Affairs, constitute the international part of what is now referred to as the Partnership Program Activity, as distinct from the National Initiatives side.

Among U.N. agencies/programs that Canada supports by multilateral grants or loans are the U.N. Development Program (UNDP), the World Food Program (WFP), the U.N. Children's Fund (UNICEF), the U.N. Fund for Population Activities. As well, Canadian funds go the the World Health Organization, relief for refugees, international farming research, the International Planned Parenthood Federation and the Commonwealth Fund for

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Technical Cooperation. Canada's contributions are mostly grants pledged on an annual basis.

The World Bank Group and Development Banks serving Latin America, Africa, Asia and the Caribbean have received substantial support from Canada. They lend money to developing countries, generally for large capital development projects and increasingly for policy-based structural adjustment programs which typically involve IMF conditionality as well. Canada's support usually takes the form of advances for participation in the capital of the banks and loans for their special concessional funds. The major source of concessional lending by the World Bank comes through periodic "replenishments," which are donor pledges covering several years' contributions.

E. Voluntary Sector Programs, Scholarships and Business Cooperation

Many Canadians are anxious to supply the needs of poorer countries through non-governmental channels. NGOs, through effective, low-cost development projects, promote self-reliance to meet grass-roots needs. CIDA matches donations to over 400 private voluntary agencies and also contributes to the budgets of non-governmental institutions (NGIs). Under the Partnership Program, the voluntary sector will receive 9.4% of ODA - $300 million in 1991-92. This figure includes an amount of $22.9 million for international NGOs. As of 1989-90, contributions to INGOs, previously reported under multilateral technical cooperation, are reported as voluntary sector support. Support for Canadian NGOs increases to $277.1 million from $258 million in the 1990-91 estimates. The generous response of Canadians to the African famine has drawn increased attention to the use of NGO channels to deliver aid. (International humanitarian relief, which peaked at $88.7 million for 1984-85 during the Ethiopian famine, has been allocated $67 million for 1991-92, 2.1% of ODA). In light of this, and the decentralization of some CIDA operations, new forms of NGO/government partnership may have wider application within the aid policy process. There seems to be strong public support for giving a larger role to NGOs. However, a March 1988 report from the North-South Institute,

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entitled *Bridges of Hope?*, raised some critical questions about this growth. Moreover, the demise in December 1990 of the World University Service of Canada (WUSC), one of the largest recipients of CIDA "country focus" contracts, heightened the unease within the NGO community. In June 1991, however, Monique Landry announced that the government was paying off WUSC's $3 million debt and re-establishing the agency on a smaller, more efficient basis. In February 1991, the Canadian Council for International Co-operation put out a "report card" which indicated broad concern about Canadian aid performance. It was revealed in May 1991 that the government was considering turning CIDA into a "cheque-issuing agency," contracting out the majority of its work to the private sector, developmental institutions and non-governmental charities.

The government's new strategy substantially upgrades the role of colleges and universities. In addition, centres of excellence and regional information centres are being created. More resources are being allocated to education and to "public outreach" activities which have a target budget of 1% of ODA. By 1993, the number of scholarships for Third World students is scheduled to double to 12,000 annually, about half of these being for education in Canada. This still represents only about 1.5% of ODA, but there is the promise that "human resource development will become the central programming thrust of all country programs."

Another expanding area of activity is that of Business Cooperation (formerly the Industrial Cooperation Division within CIDA's Special Programs Branch) which helps to direct Canadian private investment into business efforts likely to profit developing countries and Canadian firms. CIDA finances starter and viability studies by Canadian companies investigating joint ventures in developing countries. The use of Canadian business to support Third World development should be distinguished from the use of aid to support rich country exports. Most experts in the development field strongly object to so-called "mixed credit" approaches because, they argue, commercial investments and export promotion should not be pursued under the guise of "aid."

The Business Cooperation activity has increased its funding and person-years substantially as a result of recent allocations and

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internal reorganization. The new strategy also stresses more private sector initiatives as a key part of human resource development in the field. The budget for industrial cooperation has enjoyed large increases. It will rise to $75.1 million in 1991-92, compared to $67 million in 1990-91.

F. Other ODA Channels

These account for slightly over one-fifth of total ODA and include the following.

1. International Development Research Centre (IDRC)

IDRC was founded in 1970 as a public corporation financed by Canada to initiate, encourage, support and conduct research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical and other knowledge to the economic and social advancement of those regions.

The Board of Governors which sets IDRC policies consists of 11 Canadians and 10 others; the head office is in Ottawa, and regional offices are in Singapore, Bogota, Dakar, Cairo and Nairobi. In 1991-92, the budget for IDRC operations will be $123 million (3.9% of ODA), compared to $114 million in 1990-91. IDRC has sponsored more than 1,000 projects in 100 countries.

The Centre was founded on the belief that the best way to provide developing countries with the science and technology they need is to enable them to carry out their own research, thereby training their scientists and spreading knowledge. The Centre promotes research in semi-arid tropical regions in its battle to improve food production and nutrition. Other areas of IDRC's research efforts include forestry, fisheries, energy, health and education.

2. Department of Finance

The Department provides Canada's contribution to the World Bank (IBRD), to its "soft loan window," the International Development Association (IDA), as well as to several concessional lending facilities of the International Monetary Fund (IMF). IDA funding has been under pressure

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in recent years because of increased demands on its limited resources and a smaller U.S. commitment to new IDA replenishments. Canada could play a pivotal role in influencing the response of the international financial institutions (IFIs) to the plight of Third World countries. In 1991-92, the Finance Department will commit $359 million (11.3% of ODA) to World Bank and IMF institutions, compared to $299 million in 1990-91. CIDA will also contribute $247 million to regional banks in 1991-92, bringing the total for multilateral finance to $606 million (19.1% of ODA). This compares with $549 million in the 1990-91 estimates.

3. Department of External Affairs and Other Federal Government Agencies

External Affairs oversees the funding of two Crown corporations (IDRC and ICOD, the International Centre for Ocean Development) and makes contributions to a number of multilateral organizations such as the World Health Organization (WHO) and the Food and Agriculture Organization (FAO), and to the Commonwealth Scholarship Program. Canada Post and National Health and Welfare also provide some support to international development agencies. External Affairs' direct program budget (grants and scholarships) for 1991-92 is $59 million (2% of ODA), compared to $57 million in 1990-91. The Department is also responsible for the overseas administrative function of ODA. The operating budget for 1989-90 reflected an increase of $68 million for implementing the decentralization of CIDA management, which is a key element of the new ODA Strategy. The total administrative component of ODA rose to $238 million (8.3% of expenditure) in 1989-90. (It was only 4.6% of ODA in 1987-88.) In 1991-92, these costs will fall to $198 million (6.2% of ODA). Funding for ICOD will rise to $13 million in 1991-92.

The Department of Energy, Mines and Resources provides funding to the Petro-Canada International Assistance Corporation (PCIAC), which was established in 1981 to help developing countries reduce their dependence on imported oil, using Canadian expertise in oil and gas exploration and technology. At one point, disbursements fell from $53.2 million in 1984-85 to $22.6 million in 1985-86. In 1991-92, PCIAC will receive $51 million. However, the February 1991 Budget also announced

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that PCIAC will be disbanded. Its fate had been in doubt in light of the privatization of Petro-Canada.

4. The International Centre for Human Rights and Democratic Development

The idea for a new ODA instrument was first proposed by a parliamentary committee in June 1986 and accepted by the government in December 1986. It was then studied by two special rapporteurs who gave their proposals to the government in July 1987. Legislation establishing the Centre was passed in September 1988, giving it a first year budget of $1 million to rise to $5 million annually by 1992. In December 1989 Ed Broadbent was appointed the Centre's first president, and operations formally began in Montreal in June 1990. The estimates for 1991-92 allocate $4 million for the Centre from CIDE funds. "Participatory development," democratic "good governance," and human rights issues have been identified by the Development Assistance Committee of the OECD as priorities of development cooperation in the 1990s.

5. Provincial Governments

The provinces are also involved in international development through contributions to institutional cooperation and matching grants to assist the work of NGOs. Contributions from provincial governments fell to $10.1 million in 1987-88. **Alberta has been the most generous province, doling out more than $77 million in foreign aid over the past 16 years.** However, the province has drastically cut its funding of NGOs in recent years, from $7 million in 1985-86 to $2 million in 1989-90, the lowest total since 1975.

PARLIAMENTARY ACTION

A. Aid and Human Rights

Since the mid '70s the question of linking aid disbursements to the human rights situation in recipient countries has attracted growing attention from parliamentarians. The Carter administration's decision to

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cut off U.S. aid to several gross violators of human rights inspired several private members' bills along these lines. In November 1982, a sub-committee of the Commons Standing Committee on External Affairs and National Defence (SCEAND) recommended that:

> Canadian development assistance should be substantially reduced, terminated, or not commenced in cases where gross and systematic violations of human rights make it impossible to promote the central objective of helping the poor.

The government has gradually accepted human rights as a legitimate factor in decisions on extreme cases ("gross and systematic" violators), but has tended to emphasize the need for caution in other cases.

During the public hearings of the Special Joint Senate-Commons Committee on Canada's International Relations, human rights again emerged as a dominant concern. That Committee's June 1986 final report, *Independence and Internationalism*, declared that human rights should be a priority of Canadian foreign policy and repeated the proposals of the 1982 sub-committee. It also recommended human rights training for foreign service officers and the creation of a new International Institute of Human Rights and Democratic Development, funded out of ODA, to emphasize special projects aimed at preventing human rights abuses. The government's response, delivered in December 1986, was broadly favourable. However, on several issues, judgment was deferred pending action by the newly-created Commons Standing Committee on Human Rights and the reorganized Standing Committee on External Affairs and International Trade (SCEAIT), chaired by Conservative M.P., William Winegard, which had started its own independent study of ODA policies and programs.

SCEAIT's final report, *For Whose Benefit?*, contained strong recommendations linking development and human rights, including *inter alia:*

- A comprehensive set of "guiding principles" for both emergency and long-term situations, designed to be fair, to support NGOs, and to be sensitive to the needs of victims;

- A CIDA policy unit and comprehensive operational framework to assist decision makers and executors, to include a basic classification matrix identifying groups of recipient

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countries along a grid from human rights "negative" to "positive";

- A requirement that annual reports based on the above be made public and referred for review to parliamentary committees;
- A Canadian push "to allow human rights concerns to be put openly on the agendas of the international financial institutions ...";
- A stepped up emphasis on positive measures of human rights promotion such as through the proposed institute;
- The linkage of development to demilitarization, with a ban on Canadian military exports to any country ineligible for bilateral aid on human rights grounds.

Although none of the recommendations was rejected outright, the government was equivocal in the specifics of its response. In particular, the government declined the suggestions for a human rights grid based on country performance and for public disclosure of human rights assessments via an annual reporting mechanism.

B. Foreign Aid in Question: For Whose Benefit?

SCEAIT's May 1987 final report, *For Whose Benefit?*, referred to above, was the first major foreign policy study completed under the House of Commons reforms introduced in February 1986. It proposed changes at many levels of ODA policy, programming and organization. The government, in its response, *To Benefit A Better World*, tabled 18 September 1987, hailed the report, claiming to have fully accepted 98 of 115 recommendations and rejected only 4. In addition to the Committee's proposals on human rights linkage already mentioned, the major elements of the Winegard report, with government responses in parentheses, included:

- A Development Charter, focused on helping the poorest countries and peoples and on self-reliant development, accompanied by a clear legislative mandate for CIDA (Charter accepted, but legislation rejected);
- Human resource development as the central thrust of Canadian aid (accepted);

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- Relaxation of the bilateral tying rule from 80% to 50% to permit more Third World procurement, and more emphasis on using trade as a tool of development (accepted in part);

- Support for multilateral institutions and a careful approach to adjustment and policy dialogue among donors and recipients (accepted);

- More scope for matching donations to emergency relief and for assistance to refugees (accepted);

- More sparing use of food aid (rejected);

- More attention to urban problems and environmental concerns (accepted);

- Abolition of the existing country category system, with the number of program countries limited to 30 (accepted);

- Legislation to include the post of Minister for International Development and an International Development Advisory Council (ministerial post accepted, but otherwise rejected);

- Major decentralization of both CIDA personnel and decision-making authority to the field, with four regional "Canada Partnership Centres" being established overseas (accepted in part);

- An increase from 10% to 15% in the share of ODA devoted to responsive programs undertaken by NGOs, educational institutions and business, with particular emphasis on boosting private sector participation (accepted in part);

- New approaches to public information and program evaluation by CIDA (accepted);

- A legislated funding floor for ODA of 0.5% of GNP, a commitment to annual increments to reach the 0.6% target, and partial restoration of lapsing authority to CIDA (target and lapsing flexibility accepted, but legislated floor rejected).

SCEAIT concluded its report with a strong message that aid activities could be rendered futile by a failure to resolve the critical problem of Third World debt. The government subsequently announced in 1987 that it was cancelling the ODA debts, totalling $672 million, of a number of Francophone and Commonwealth countries in sub-Saharan Africa. Legislation to that effect was passed by the House of Commons in June 1989. In a

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June 1990 report on the debt crisis, SCEAIT repeated the Winegard report's recommendation that there be a funding floor for ODA. The government again rejected this proposal, although it is considering further official debt concessions.

C. Conclusion: Foreign Aid in Transition

Canada now has a new strategy to the year 2000 which reflects the government's encouraging response to the Winegard report. Public and expert reaction has also been broadly supportive. However, questions remain and many hard choices lie ahead. It has been a challenging time as government employees and ODA partners adjust to the new environment. Under decentralization, individual bilateral project approval authority up to $5 million has been delegated to the field. At the same time, the restraint measures in successive budgets have also meant implementing the strategy at the same time as there are fewer resources than anticipated and therefore cutbacks in most programs. Following the announcement of the federal budget in February 1991, the government was severely criticized by CUSO, Canada World Youth and Canadian Crossroads International for its cuts to developmental aid agencies. Even before the budget, in December 1990, Canada was singled out by the DAC for its failure to meet its own modest funding targets.

At the Cabinet level, controversial decisions must be made on eligibility and human rights. Many NGOs and human rights groups protested the resumption of bilateral aid to El Salvador in 1984 and to Guatemala in 1987. Haiti posed another conundrum in terms of human rights and "democratic development." Following election violence and a return to army rule in 1988, Canada suspended bilateral aid planning. (Aid resumed early in 1991 following a clean democratic election.) In June 1988, the Commons external affairs committee urged a similar suspension in the case of Ethiopia if strict conditions were not met. In March 1989, Canada threatened to withhold aid to the Sudan because of civil war conditions. Human rights can no longer be ignored in decisions respecting recipient countries around the globe - from China, Sri Lanka and the Philippines in Asia, to the Horn of Africa, to Central America. To this end, in June 1991

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Ed Broadbent, president of the International Centre for Human Rights and Democratic Development, called for a direct link between Canadian foreign aid and human rights in developing nations.

Aid is a form of intervention which carries inevitable risks. The government chose not to follow SCEAIT's recommendations that the criteria for human rights linkage be specific, public and transparent. But, with the new policy framework now in place, the expression of public and parliamentary concerns will almost certainly continue to play a larger role than it did in the past in the necessarily political process of aid decision-making. At the same time, the pressures of domestic recession and unforeseen events such as the costs of the Gulf conflict may have a chilling effect on the climate for providing increased assistance to developing countries.

A Canadian NGO assessment of the Canadian foreign aid program released in February 1991 concluded with the following general comment: "While progress has been made in important areas such as environmental protection and human rights, the government's overall performance on foreign aid is disappointing. It has yet to meet many of its commitments to international development as set out in its 1987 strategy and action plan, *Sharing Our Future*. With a growing crisis in the Third World made worse by the Gulf war, the government urgently needs to increase its aid to Third World countries and improve the quality of the aid program." The federal budget that followed hard on the heels of these comments did little to appease critics of Canada's foreign aid policy. The subsequent revelation of proposals to trim the staff of CIDA and turn it into a bank rather than a hands-on agency delivering foreign aid to the Third World only made matters worse. A continuing commitment to long-term structural adjustment programmes rather than human development will, in the minds of many, only deepen the crisis in which Canada's foreign aid policy currently finds itself.

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CHRONOLOGY

1950 - Canada joined the Colombo Plan for Co-operative Economic Development in Asia.

1960 - A consolidated External Aid Office (EAO) was set up.

1968 - The Canadian International Development Agency (CIDA) was created with Maurice Strong as its first president.

1969 - The Pearson Commission on International Development recommended a minimum ODA target of 0.7% of GNP for all industrialized countries.

1970 - Paul Gérin-Lajoie became CIDA president. IDRC was set up to promote technical cooperation.

1975 - CIDA's Strategy for International Development Co-operation 1975-1980 emphasized help to the poorest, building Third World self-reliance and attention to basic needs.

July 1983 - Margaret Catley-Carlson was appointed president of CIDA.

November 1984 - The Hon. David MacDonald was appointed Canadian Emergency Coordinator for the African famine. $180 million was cut from the projected ODA budget.

May 1985 - The Budget cut forecast aid expenditures by a further $50 million. However, the target of 0.6% of GNP by 1990 was retained.

February 1986 - The Budget chopped another $1.5 billion over five years from ODA projections. The 0.6% target was put off until 1995 and the creation of the proposed Trade and Development Facility was suspended.

Spring 1986 - The Hon. David MacDonald released his final report on the African famine at the end of March. The government announced a new aid program "Africa 2000" in early May. The Standing Committee on External Affairs and International Trade began a comprehensive review of ODA.

July 1986 - The Hon. Monique Landry took over responsibility for CIDA. SCEAIT released its Discussion Paper on ODA.

September 1986 - The report of the Desmarais task force on bilateral aid was released.

Winter 1986-87 - SCEAIT held public hearings and inspected aid projects in three African countries.

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February 1987 - The Budget announced savings of $160 million in ODA spending.

May 1987 - SCEAIT tabled *For Whose Benefit?*, its major report on ODA policies and programs.

September 1987 - The government delivered its comprehensive response, *To Benefit a Better World.*

November 1987 - Secretary of State for External Affairs Joe Clark restored bilateral aid to Guatemala on the eve of an official visit to Central America.

March 1988 - Minister for External Relations and International Development, Monique Landry, released the government's comprehensive ODA strategy, *Sharing Our Future.*

August 1988 - The government introduced legislation to establish an International Centre for Human Rights and Democratic Development.

September 1988 - Responding to the report of a Commons special committee, the government pledged that it would double bilateral aid to Central America to $100 million between 1988 and 1994.

April 1989 - The Budget announced a major reduction in ODA spending to 0.43% of GNP in 1989-90.

September 1989 - Marcel Massé became CIDA President for the second time.

December 1989 - Ed Broadbent was named to head the International Centre for Human Rights and Democratic Development.

February 1990 - The Budget limited the resumption in ODA growth to 5% on an annual basis.

December 1990 - WUSC, one of the largest Canadian development NGOs, went into receivership.

December 1990 - The Development Assistance Committee of the OECD expressed dissatisfaction with Canadian aid policy.

February 1991 - The Canadian Council for International Cooperation released a critical "report card" on Canadian aid performance. The federal Budget further restricted ODA growth to 3% in 1992-93 and subsequent years.

April 1991 - Canada provided $30 million in food aid to drought-stricken East Africa, to be divided equally between Ethiopia and Sudan. CUSO, the Canada World Youth Organization and Canadian Crossroads International

criticized the government for cutting financial assistance to aid agencies.

May 1991 - Plans by the government for a possible reduction in the size of CIDA, along with drastic changes in its role as an aid distributor, were revealed; there were also plans to reduce the number of countries receiving ODA. Mahbub ul Haq, director of the UN Report on Human Development, censured the Canadian government for its shift away from social aid.

June 1991 - Monique Landry announced in the House of Commons that CIDA had approved operating plans for the re-establishment of WUSC.

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